

**KHUBAIB FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. THE TRUST AND ITS OPERATIONS:**

Khubaib Foundation (the Foundation) was established as a trust under the Trust Act, 1882 in May 1999 as a non-profit, non-governmental, social, education and cultural organization with the objective of working for the Education, Reformation, Reclamation and Rehabilitation of prisoners, orphan, effectees, of earthquake disaster in Khyber Pakhtun Khawa and Azad Jammu and Kashmir and to help the humanity in need at large. The registered office of the foundation is located at Plot 112, Street No. 8, Sector I-10/3 Islamabad. In furtherance of its intended objectives, the Foundation is undertaking various activities and to support these activities, it has established various units. The core activities presently undertaken by the foundation and various units setup for the purpose related thereto are briefly outlined below:

**Educational activities**

These include various initiatives undertaken by the Foundation including specific projects and units setup for promotion of education for unprivileged communities. The major educational institutes setup by the foundation include the following:

- Khubaib Boarding School, Rara, Muzaffarabad, Azad Jammu and Kashmir
- Khubaib College, Skardu
- Rumi International School, Haripur
- Khubaib College, Sargodha
- Khubaib School, Pinar, Hamzewala, Muzaffargarh
- Khubaib School, Bagcilar, Bakhuwala, Muzaffargarh
- Khubaib College, Gilgit
- Khubaib Hostel MSAL, Rawalpindi
- Khubaib Madaris (I-10 Islamabad and Muzafargarh)

The above mentioned educational institutes were setup in prior years and remained operational during the year.

**Welfare projects**

These include welfare projects setup by the Foundation to cater the needs of marginalized and impoverished members of the society. The significant events/activities undertaken during the year include:

- Construction of houses in Muzaffargarh
- Marriage project
- Orphan Higher Education
- Orphan Solidarity Day
- Qurbani activity
- Ramadan activity
- Relief and donation activities
- Sponsorship program

**International project**

This includes relief project for refugees residing in Turkish Territories. Fund raising for relief project was carried out during the year, whereas substantial component of relief activities related thereto was rolled out subsequent to the year end. Funds disbursed to IHH for relief activities are recorded as advance and shall be settled in expenditure for the respected year in which the advance will be adjusted.

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## **2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

### **2.1 Statement of compliance**

These financial statements have been prepared under International Financial Reporting Standards for Small and Medium Sized Entities (IFRSs for SMEs) as notified by the Securities and Exchange Commission of Pakistan.

During the year the management has changed financial reporting framework from International Financial Reporting Standards (IFRSs) to IFRS for SMEs. Management is of the view that such transition does not result in significant framework adjustments.

### **2.2 Accounting convention**

These financial statements have been prepared under the historical cost convention.

### **2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the trust operates. The financial statements are presented in Pakistan Rupees which is the trust's functional and presentation currency.

### **2.4 Fixed assets and depreciation**

These are stated at cost less accumulated depreciation / amortization, whereby cost is written off over the estimated useful life.

The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

Depreciation / amortization is charged to Income and Expenditure Account calculated using WDV method at the rate specified in fixed asset schedule given in note 3. Full month depreciation is charged in the month of acquisition whereas no depreciation is charged in the month of disposal. Cost of leasehold land is amortized over the period of the lease.

Maintenance and normal repairs are charged to Income and Expenditure Account in the period in which they are incurred. Majors renewals & improvements are capitalized.

When assets are sold or retired, their cost and accumulated depreciation / amortization are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

### **2.5 Biological Assets**

Livestock are measured at their fair value less estimated point-of-sale costs. Fair value of livestock is determined on the basis of best available estimates for livestock of similar attributes by animal science specialist / veterinary doctor duly hired by the Foundation for this purpose.

Gains or losses arising from changes in fair value less estimated point-of-sale costs of livestock is recognized in the profit and loss account.

### **2.6 Capital work-in-Progress**

Capital work in progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work- in-progress. These are transferred to operating fixed assets as and when these are available for use.

*W.F.H.*

**2.7 Revenue recognition**

Revenue is recognized on accrual basis except fee income. Fee income is recognized on cash basis. Donations restricted by the donors for particular purpose are treated as restricted fund and amount unspent shall be carried forward in accounts to the next year.

Advance to partner organizations for relief activities is recognized in income to the extent of advance settled.

**2.8 Grants**

Grant is recognized when there is reasonable assurance that the Foundation will comply with the conditions precedent to the grant and it will be received. Grant is recognized as income over such period as is necessary to match it with the related expenditure, on a systematic basis. Fixed assets acquired from grants are recorded as deferred grant and amortized to income to the extent of depreciation over the useful life of the assets.

**2.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash, balance with banks in current, saving and deposit accounts.

**2.10 Taxation**

The Foundation holds status of a not for profit organization under the Income Tax Ordinance, 2001 (Ordinance), thus it claims tax credit for income tax liability in accordance with the related provisions of the Ordinance.

**2.11 Exchange gain policy**

Donations received in foreign currencies are recorded in the financial statements on the rates prevailing on the date of receipts. Difference arising from conversion of donations into Pakistan Rupees on the date of conversion to Pakistan Rupees is charged to the revenue and expenditure for the year.

**2.12 Investments - Held to maturity**

Investments that the Foundation has positive intent and ability to hold till maturity are classified as held to maturity. These are measured at amortized cost. Maturities of current investments is within next twelve months, accordingly; the management has determined that cost of investments shall not be significantly different from amortized cost.

**2.13 Leases**

Lease in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are charged to the income for the year.

Finance leases are capitalized, at the lease's commencement, at the lower of the fair value of the leased asset and the present value of minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest rate method. Rental obligations, net of finance charges, are included in the statement of the financial position. The property and equipment acquired under the finance leases is depreciated over the shorter of useful life of the asset and the lease term.

**2.14 Significant accounting estimates involving uncertainty**

Entity has made no significant accounting estimates for the purposes of preparation of these financial statements except for assessing the fair value of biological assets as at the year end.

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**KHUBAIB FOUNDATION, ISLAMABAD**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	3	376,319,400	392,076,319
Intangibles	4	454,381	504,869
Biological Assets	5	6,913,000	1,950,000
Capital work in progress	6	49,352,603	9,935,802
Security Deposits		959,457	710,307
Long Term Deposits against leased vehicles		-	550,000
		<u>433,998,841</u>	<u>405,727,297</u>
<b>Current Assets</b>			
Advances, prepayments and other Receivables	7	230,687,798	86,883,843
Short Term Deposits against leased Vehicles		550,000	2,367,000
Short term Investments	8	23,000,000	23,000,000
Cash & Bank	9	118,218,740	28,298,994
		<u>372,456,538</u>	<u>140,549,837</u>
		<u>806,455,379</u>	<u>546,277,134</u>
<b>Non Current Liabilities</b>			
Liabilities against assets subject to finance lease	10	-	634,096
Deferred Grant	11	380,963,220	129,625,293
		<u>380,963,220</u>	<u>130,259,389</u>
<b>Current Liabilities</b>			
Current portion of Liability under Finance Lease	10	634,096	4,283,916
Creditors, Accrued & Other Liabilities	12	83,834,579	75,786,514
		<u>84,468,675</u>	<u>80,070,430</u>
		<u>465,431,895</u>	<u>210,329,819</u>
<b>Net assets</b>		<u><u>341,023,484</u></u>	<u><u>335,947,315</u></u>
<b>REPRESENTED BY</b>			
General Fund		<u><u>341,023,484</u></u>	<u><u>335,947,315</u></u>

The annexed notes 1 to 20 form an integral part of these accounts.

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 CHAIRMAN

  
 TRUSTEE

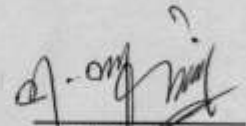
**KHUBAIB FOUNDATION  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
<b>INCOME</b>			
Donations	13	331,962,604	258,508,913
Fee Receipts	14	26,912,487	28,095,071
Amortization of Deferred Grant	11.2	13,667,808	13,667,808
Other Income	15	10,584,276	3,602,796
		<u>383,127,175</u>	<u>303,874,588</u>
<b>EXPENDITURE</b>			
Salaries, wages and other benefits	16	78,052,947	75,585,111
Utilities		10,232,965	10,216,005
Depreciation / amortization		37,320,899	35,189,125
Project Running Expenses		207,006,770	156,842,265
Others		45,437,424	30,314,734
		<u>378,051,005</u>	<u>308,147,240</u>
<b>(Deficit) / Surplus for the year</b>		<u><u>5,076,170</u></u>	<u><u>(4,272,652)</u></u>

The annexed notes 1 to 20 form an integral part of these accounts.

*SAJID*

  
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CHAIRMAN

  
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TRUSTEE